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9 *Special (Local) Counsel for the Official Committee of Equity Security Holders of*
 10 *USA Capital First Trust Deed Fund, LLC*

11 **UNITED STATES BANKRUPTCY COURT**
 12 **DISTRICT OF NEVADA**

13	In re:	)	BK-S-06-10725-LBR
	USA COMMERCIAL MORTGAGE COMPANY	)	Chapter 11
	Debtor.)	
14	In re:	)	BK-S-06-10726-LBR
	USA CAPITAL REALTY ADVISORS, LLC,	)	Chapter 11
	Debtor.)	
16	In re:	)	BK-S-06-10727-LBR
	USA CAPITAL DIVERSIFIED TRUST DEED FUND, LLC,	)	Chapter 11
	Debtor)	
18	In re:	)	BK-S-06-10728-LBR
	USA CAPITAL FIRST TRUST DEED FUND, LLC,	)	Chapter 11
	Debtor)	
19	In re:	)	BK-S-06-10729-LBR
	USA SECURITIES, LLC,	)	Chapter 11
	Debtor)	
21	Affects:)	
	<input type="checkbox"/> All Debtors)	
	<input type="checkbox"/> USA Commercial Mortgage Co.)	
	<input type="checkbox"/> USA Securities, LLC)	
	<input type="checkbox"/> USA Capital Realty Advisors, LLC)	
	<input type="checkbox"/> USA Capital Diversified Trust Deed)	
	<input checked="" type="checkbox"/> USA First Trust Deed Fund, LLC)	

DATE: June 5, 2006
 TIME: 9:30 a.m.

25 **DECLARATION OF CANDACE C. CARLYON, ESQ. AND SECOND SUPPLEMENTAL**
 26 **STATEMENT OF DISINTERESTEDNESS IN SUPPORT OF APPLICATION FOR ORDER**
 27 **APPOINTING SHEA & CARLYON, LTD. AS SPECIAL (NEVADA) COUNSEL FOR THE**
 28 **OFFICIAL COMMITTEE OF EQUITY SECURITY HOLDERS OF USA CAPITAL FIRST**
TRUST DEED FUND, LLC

1 I, Candace C. Carlyon, Esq., hereby declare and state as follows:

2 1. The following facts are personally known to me and if called to testify thereto,
3 I could and would do so, under oath.

4 2. I make this Declaration and Second Supplemental Statement of
5 Disinterestedness ("Declaration") in support of the Application (the "Application") for Order
6 Appointing Shea & Carlyon, Ltd. as Special (Nevada) Counsel for the Official Committee of
7 Equity Security Holders of USA Capital First Trust Deed Fund, LLC (the "FTD Committee"),
8 which Application the Court granted by an Order entered on June 20, 2006 (docket #739).

9 3. To the best of my knowledge, and based upon the Supplemental Statement of
10 Disinterestedness herein, neither Shea & Carlyon, nor any of its shareholders have any present
11 connection with the any of the official committees appointed in the USA cases, the debtors,
12 any creditors of the estate, any party in interest, their attorneys or accountants, the United
13 States Trustee and any person employed in the office of the United States Trustee other than
14 those described in the Application, in both the initial and supplemental Declarations of James
15 Patrick Shea, Esq. in support thereof (docket nos. 304 and 1180, respectively), and in this
16 Second Supplemental Declaration.

17 4. With respect to Shea & Carlyon's involvement with, or representation of, the
18 FTD Committee in this Bankruptcy Case, Shea & Carlyon hereby discloses the following
19 connections and developments that have been discovered in the course of its involvement in
20 the USA cases:

21 A. Dr. Lucius Blanchard and Palomino Partners, L.P.

22 1. Shea & Carlyon represents Dr. Lucius Blanchard ("Dr. Blanchard") and
23 Palomino Partners, LP ("Palomino") in the Pedersen Chapter 7 bankruptcy
24

1 case (case no. 05-20688-MKN) with respect to certain potential claims by
 2 Timothy S. Cory, the Chapter 7 trustee.

3 2. Mr. Cory is represented by Jeffrey R. Sylvester, who is also on record in
 4 the USA cases as representing Haspinov, LLC; Pecos Professional Park,
 5 LLC;¹ USA Commercial Real Estate Group; and Joseph Milanowski.
 6 Joseph Milanowski is an insider of the Debtors, and I believe that the listed
 7 corporate entities to be Affiliates of the Debtors. Joseph Milanowski and
 8 Thomas Hantges, another insider of the Debtors, are also apparently being
 9 represented by Joseph J. Huggins, from the law firm of Huggins &
 10 Associates, and Russell S. Walker, from the law firm of Woodbury &
 11 Kelser, P.C.
 12

13 3. Shea & Carlyon was recently advised that (1) Dr. Blanchard or Palomino
 14 have an interest in USA Development, Inc., with respect to which Thomas
 15 Hantges, and possibly Joseph Milanowski, are insiders; (2) USA
 16 Development, Inc. and Nevada Skin and Cancer, Chtd., an entity controlled
 17 by Dr. Blanchard, are the two general partners of Pecos Professional Park,
 18 the landlord of Debtors' offices at 4484 S. Pecos Rd., Las Vegas, NV
 19 89121; (3) Dr. Blanchard and Thomas Hantges are both officers in Pecos
 20 Professional Park Property Owners Association; and (4) Dr. Blanchard may
 21 have been purportedly listed as the trustee of a trust involving Thomas
 22 Hantges, or The Hantges Children's Trust.
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27 ¹ The Nevada Secretary State does not reflect any LLC by the name of Pecos Professional Park. Shea & Carlyon
 28 thus suspects that this reference is actually to Pecos Professional Park, L.P., discussed below.

1 4. This office has not, and does not, represent Dr. Blanchard or Palomino as
2 to any matters involving USA Development, Inc., Pecos Professional Park
3 Property Owners Association, Thomas Hantges, Joseph Milanowski, or any
4 other matter involving the Debtors or their insiders.
5

6 B. Beastar, LLC

7 1. Shea & Carlyon represents Consolidated Mortgage, LLC ("CMC"), as
8 servicing agent and attorney in fact for private investors. In April of 2005,
9 CMC made several acquisition and construction loans to Coke Maggie,
10 LLC ("Coke Maggie"), secured by deeds of trust on Coke Maggie's real
11 property. Coke Maggie defaulted on its obligations to CMC, and on
12 August 1, 2005, Coke Maggie filed for bankruptcy under Chapter 11 (case
13 no. 05-17482), arresting CMC's attempts to foreclose upon Coke Maggie's
14 real property in satisfaction of Coke Maggie's indebtedness to CMC. On
15 February 3, 2006, following an order by this Court lifting the automatic
16 stay as to Coke Maggie's real property, CMC foreclosed upon the real
17 property in satisfaction of Coke Maggie's debt.
18

19
20 2. On June 19, 2006, the Court entered an order converting Coke Maggie's
21 Chapter 11 case into a Chapter 7 liquidation proceeding. Prior to entry of
22 the order converting the case, Coke Maggie commenced an adversary
23 proceeding against Beastar, LLC ("Beastar"), with whom Coke Maggie
24 was partnered in a joint venture prepetition. The adversary complaint
25 alleges that Beastar conducted certain post-petition transactions relating to
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1 several parcels of real property that Coke Maggie alleges are avoidable
2 under §§ 549 and 550 of the Bankruptcy Code.

3 3. Beastar is a borrower on one of the loans serviced by USA and jointly
4 owned by the FTDF and Direct Lenders. The real property securing the
5 loan is among the parcels that are the subject of Coke Maggie's litigation
6 against Beastar.

7
8 4. Shea & Carlyon has never represented either Beastar or Coke Maggie, and
9 is no longer involved in the Coke Maggie bankruptcy.

10 C. Wells Fargo Bank.

11
12 1. Shea & Carlyon represented Wells Fargo Bank ("WFB") in adversary
13 proceeding number 06-01146-lbr brought by USA Commercial Mortgage
14 Company ("USACMC") against WFB for honoring a check from the
15 Investor's Trust Account post-petition. The Investor's Trust Account was
16 used to broker the assignment of fractional interests in certain USACMC
17 loans between assignees and assignors of those interests. The Investors
18 Trust Account was an account held with WFB. Shea & Carlyon filed an
19 answer on behalf of WFB requesting that USACMC's complaint be
20 dismissed and that WFB be awarded attorney's fees and costs for defending
21 the action.

22
23 2. USACMC filed an interpleader complaint (adversary number 06-01167-
24 lbr) stating it did not have an interest in any of the funds in the Investor
25 Trust Account because the account was used to broker assignments
26 between assignors and assignees of fractional interests in USACMC loans.
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1 After USACMC filed the interpleader complaint, WFB sent a letter to
2 Jeanette McPherson, counsel for USACMC, requesting that she dismiss the
3 action against WFB to avoid violation of Fed. R. Bankr. P. 9011.

4
5 3. USACMC and WFB subsequently stipulated to dismiss adversary
6 proceeding number 06-01146-lbr and USACMC was ordered to re-file a
7 complaint incorporating both the adversary against WFB and the
8 interpleader complaint. USACMC re-filed the complaint without naming
9 WFB as a defendant. Accordingly, Shea & Carlyon no longer represents
10 WFB in any of these proceedings.
11

12 5. Based upon the foregoing, it is my belief that neither Shea & Carlyon, nor any
13 of its members, represents any interest adverse to the FTD Committee for which it has been
14 retained.

15 6. To the best of my knowledge, after conducting or supervising the investigation
16 described above, I declare under penalty of perjury that the foregoing is true and correct.

17 DATED this 7th day of November, 2006.
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19 SHEA & CARLYON, LTD.

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21 
22 CANDACE C. CARLYON, ESQ.
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